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Dear Chairperson,

I am writing as Chairman of ECOFEX – the European Committee of Options and Futures Exchanges – about the ongoing delay in implementing the CFTC’s plans to allow approved foreign futures exchanges to place electronic trading facilities (“trading terminals”) in the United States.

As you may recall from discussions with my predecessor, ECOFEX is an association representing twenty-two derivatives exchanges and clearing houses in Europe. It exists to enable its members to discuss issues of common concern, particularly those which enable us to raise the standards of the derivatives industry in Europe and, where possible, world-wide.

ECOFEX wrote to the CFTC on 18 September 1998 with detailed comments on the proposals contained in the Commission's Concept Release on the Placement of a Foreign Board of Trade's Computer Terminals in the United States<sup>1</sup>. ECOFEX broadly welcomed the CFTC's proposals, while emphasising the importance of the Commission implementing them by January 1999 as planned.

We have grave concerns that the CFTC has yet to make an appropriate rule in this area. As you will know from the many representations made by ECOFEX and its members this year and during the course of last year, the hiatus in approving the placement of trading terminals in the United States is causing serious anti-competitive problems. Some foreign futures exchanges are operating through trading terminals in the US while others are being prevented from doing so until the new regime is in place. Protracted delay in promulgating a new rule is severely detrimental to those exchanges which are currently excluded. It is also frustrating the expansion plans of those foreign futures exchanges which do have trading terminals in the US.

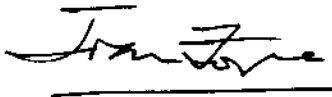
<sup>1</sup> 63 Fed. Reg. 39779 (July 24, 1998)

It is vital that fair competition be restored as soon as possible. International distribution is an important element in the business strategies of many futures and options exchanges in Europe. The effect of the CFTC's current policy is to prevent most of those exchanges from having direct access to the investment community in the United States while some foreign futures and options exchanges continue to enjoy such access.

Even if the Commission were to publish a proposed rule immediately, it would not be implemented until the summer at the earliest. A growing number of foreign exchanges wish to place trading terminals in the United States now. Many of them have been waiting to do so for a considerable length of time but are unable to proceed until the CFTC rule is agreed. Moreover, there is continuing and growing demand among investment firms in the United States for easy access to foreign futures markets, which trading terminals would bring. Placement of such trading terminals would provide US users of European markets with more immediate and efficient access to them. It would also give US investors cost-effective access to those European markets which they do not currently use, thereby increasing their choice of investment opportunities. European investors are able to enjoy such choice by virtue of the fact that a number of US exchanges have placed trading terminals in Europe. I would, therefore, urge the Commission to put an appropriate rule in place as soon as possible.

I am writing in similar terms to Commissioners Holum, Newsome and Spears and a copy of this letter goes to CFTC Director of Trading and Markets, Michael Greenberger.

*Yours sincerely*

  
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John Foyle  
Chairman